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JAMES G. STRANCH, III  
JANE B. STRANCH

February 4, 2005

JOE P. LENISKI, JR.  
MARK A. MAYHEW  
J. GERARD STRANCH, IV

\*ALSO ADMITTED IN GA

*Via Hand Delivery*

Mr. David McClanahan  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37243-0505

Re: Petition of Lynwood Utility Corporation for Approval of Transfer and Control  
*Nunc Pro Tunc*  
Docket No. 04-00360

Dear David:

I am writing you to follow up on our telephone on Wednesday regarding the response of Lynwood Utility Corporation to Data Request No. 2 dated January 14, 2005. I received Data Request No. 2 by mail on January 18, 2005. On Friday, January 21, 2005, you spoke with James Ford, a financial consultant hired by Lynwood, about the response to the Data Request No. 2. Mr. Ford has been hired by Lynwood to assist it in bringing its books and records into compliance with accepted regulatory accounting practices and to assist Lynwood in preparing its 2004 Annual Report. As you know Mr. Ford has a great deal of experience in public utility accounting. Mr. Ford advised you he anticipated having the 2004 year end financial statements ready within a couple of weeks and offered to meet with you to discuss Lynwood's 2004 year end financial statements upon their submission to the TRA. I spoke with you on January 27, 2004, to follow up on your conversation with Mr. Ford and asked whether I needed to follow up in writing with you. You indicated that as long as Mr. Ford followed up with you in a couple of weeks, you did not believe you needed anything in writing from me.

Mr. Ford has advised me that he hopes to have the 2004 financial statements ready by the end of next week. I will file a response to Data Request No. 2 when the 2004 financial statements are ready. I did want to give you a preliminary response to a couple of the questions asked in Data Request No. 2. The present owners of Lynwood are aware that Lynwood is a regulated public utility. As set forth in the Petition, Tyler Ring and John Ring became the sole shareholders of Southern Utility Corporation on January 1, 2003. Southern Utility Corporation is the sole shareholder of the stock of Lynwood. On January 23, 2003, I requested an opinion

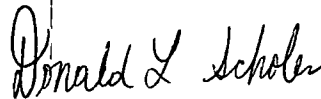
Mr. David McClanahan  
February 4, 2005  
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from the TRA's General Counsel as to whether approval of the transfer of the shares of Southern Utility Corporation required the approval of the TRA. I did not receive a response. Shortly before the Petition was filed, the TRA staff advised Tyler Ring that such approval was required. Therefore, the Petition was prepared and filed.

This firm did not represent Lynwood in the court action filed against Lynwood by the Tennessee Department of Environment and Conservation. I obtained a copy of the Consent Order and Dismissal which has been previously provided. I will obtain additional information on this case to include with the response to Data Request No. 2.

Simultaneously, with the filing of the response to Data Request No. 2, the owners of Lynwood, Mr. Ford and I are more than willing to meet with you and the TRA Staff to provide any other information you may need. I appreciate your patience in allowing Lynwood to provide you a complete response to Data Request No. 2 so that the TRA Staff will have what it needs to recommend action on the Petition.

Sincerely yours,



DONALD L. SCHOLES

c. Tyler Ring  
Jim Ford